



**REDACTED – FOR PUBLIC INSPECTION**

April 10, 2014

***Ex Parte Notice***

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**Re: *Connect America Fund, WC Docket No. 10-90; High-Cost Universal Service Support, WC Docket No. 05-337***

Dear Ms. Dortch:

On behalf of Rural Telephone Service d/b/a Nex-Tech (“Nex-Tech”), pursuant to the procedures outlined in the Third Protective Order adopted in the above referenced proceedings, please find enclosed for filing an original and one copy of the Public version of an Ex Parte Notice and attached confidential materials provided by Nex-Tech in the aforementioned dockets. A version containing confidential information is also being filed separately under seal with the Secretary's Office via hand-delivery. Finally, a copy of the Ex Parte Notice and the Public version of the enclosures have been submitted via ECFS.

Should you have any questions concerning the foregoing request, please contact the undersigned.

Sincerely,

/s/ Rhonda S. Goddard

Rhonda S. Goddard  
Chief Operating Officer, Regulated Services

Enclosures

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**Re: *Connect America Fund, WC Docket No. 10-90; High-Cost Universal Service Support, WC Docket No. 05-337***

Dear Ms. Dortch:

On Tuesday, April 8, 2014, the undersigned, on behalf of Rural Telephone Service d/b/a/ Nex-Tech (“Nex-Tech”), met with Priscilla Argeris, Legal Advisor to Commissioner Jessica Rosenworcel. to discuss matters in the above-referenced proceedings. Nex-Tech provided the attached presentation in these meetings.

**Standalone Broadband Support – a “Connect America Fund” for all Rural Consumers.**

Nex-Tech discussed the need for technical fixes to the Commission’s long-standing “no barriers” policy to ensure that consumers in rural areas can obtain the affordable fixed broadband services that are in great demand and that also provide the essential foundation for other communications services, including over-the-top voice and wireless services. Specifically, we discussed how providing support for loops that are used to provide standalone broadband services would promote and accelerate the ongoing IP evolution, and finally provide the basis for a Connect America Fund that supports broadband-capable networks that enable advanced communications and enhanced consumer choice in *all* rural areas. We discussed the importance of finding a solution to this problem in particular for Nex-Tech’s consumers and its operations, as the company has tried to respond proactively to consumer demands and preferences for broadband only to suffer adverse consequences for doing so in the form of more unsupported network costs and lower voice loop counts (that drive up the company’s apparent cost-per-loop despite the fact that it is actually delivering more connections to consumers).

**Regulatory Uncertainty Concerns.** We discussed continuing concerns with respect to regression analysis-based caps pending further clarification of the Commission’s recent announcement to eliminate these caps and the underlying model. Nex-Tech explained the substantial efforts that it has made to cut costs as a result of the imposition of the caps, but expressed concern that such efforts would undermine its ability to deliver services for consumers.

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We explained Nex-Tech recently completed on-time and under budget the stimulus project that it had sought in response to the call of the administration to create jobs and deploy infrastructure – including, in some places, the replacement of decades-old lead cable that would not support quality broadband services. We further expressed concerns about the uncertainty that remains regarding how the model will be updated and/or replaced for 2014 and beyond, thereby further chilling investment in rural broadband. Nex-Tech urged the Commissioner and colleagues to ensure that greater visibility and predictability can be obtained as soon as possible.

**Retransmission and Programming Fees.** Nex-Tech explained that small rural companies are being forced to pay exponentially increasing retransmission fees for broadcast television channels, and that is inhibiting the ability to provide affordable video service to consumers. Also, Nex-Tech’s service area crosses multiple designated market areas which causes costs to be even higher in order to offer the consumer the channels they request.

**Reporting Requirements.** Nex-Tech highlighted the cumulative effect of reporting requirements on small service providers, noting that it was subject to *several hundred reports each year* between telecommunications regulatory reports at the federal and state levels and other federal and state governmental compliance and monitoring reports. We noted specifically that at a time when rural, rate-of-return local exchange carriers such as Nex-Tech face significant uncertainty and are being asked to “do more with much less,” and given that such carriers are already subject to significant levels of oversight unmatched elsewhere in the industry, it is incongruous to adopt and implement numerous new reporting requirements that effectively require companies to redeploy significant employee resources toward administrative reporting rather than service delivery. We acknowledged the need to ensure reasonable accountability in the use of universal service support, but we urged some rationalization of all of the various reports, audits, and other compliance requirements – especially in a time of tightening budgets and as yet even more reporting requirements come online.

Pursuant to Section 1.1206 of the Commission’s rules, a copy of this letter and a redacted copy of the enclosures are being filed via ECFS, while hard copies of this letter and redacted and Confidential versions of the enclosures are also being submitted to your office in accordance with the Third Protective Order in the above-referenced proceedings.

Sincerely,

/s/ Rhonda S. Goddard  
Rhonda S. Goddard  
Chief Operating Officer, Regulated Services

Enclosures

cc: Commissioner Jessica Rosenworcel  
Priscilla Argeris